

April 20, 2009

The Audit Committee
California Housing Finance Agency
Sacramento, California

Dear Members of the Audit Committee:

We have performed an audit of the financial statements of the California Housing Loan Insurance Fund (the “Fund”), which is administered by the California Housing Finance Agency (the “Agency”), a component unit of the State of California as of and for the year ended December 31, 2008 and 2007, in accordance with auditing standards generally accepted in the United States of America and have issued our report thereon dated April 20, 2009.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Fund is responsible.

Our Responsibility Under Generally Accepted Auditing Standards

Our responsibility under auditing standards generally accepted in the United States of America has been described in our engagement letter dated February 6, 2009, a copy of which has been provided to you. As described in that letter, the objective of a financial statement audit conducted in accordance with auditing standards generally accepted in the United States of America is to express an opinion on the fairness of the presentation of the Fund’s financial statements for the year ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), in all material respects. Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit Committee are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Audit Committee of their responsibilities.

We considered the Fund’s internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund’s internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Fund's 2008 financial statements include the loan insurance fund loss and the loss adjustment expense reserve ("LAE"). During the year ended December 31, 2008, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

Uncorrected Misstatements

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no uncorrected misstatements or disclosure items passed identified during our audit.

Significant Accounting Policies

The Fund's significant accounting policies are set forth in Note 2 to the Fund's 2008 financial statements. During the year ended December 31, 2008, there were no significant changes in previously adopted accounting policies or their application.

Disagreements With Management

We have not had any disagreements with management related to matters that are material to the Fund's 2008 financial statements.

Significant Difficulties Encountered in Performing the Audit

In our judgment, we received the full cooperation of the Fund's management and staff and had unrestricted access to the Fund's senior management in the performance of our audit.

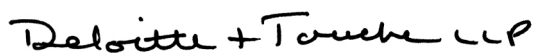
Management's Representations

We have made specific inquiries of the Fund's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Fund is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Appendix A, those representations we requested from management.

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This report is intended solely for the information and use of management, the Audit Committee of the Board of Directors, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,



cc: The Management of California Housing Loan Insurance Fund